December 13, 2004

D.T.E. 04-116

Investigation by the Department of Telecommunications and Energy on its own motion regarding the service quality guidelines established in Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84 (2001).

VOTE TO OPEN INVESTIGATION

I. INTRODUCTION

In Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84 (2001), the Department of Telecommunications and Energy ("Department") established service quality ("SQ") guidelines ("Guidelines") to be included in performance-based regulation ("PBR") plans for gas and electric distribution companies pursuant to G.L. c. 164, § 1E.[1] The Department subsequently approved SQ plans for all gas and electric distribution companies ("LDCs") incorporating the Guidelines for a term of three years.[2] D.T.E. 99-84, Letter Orders (December 5, 2001); D.T.E. 99-84, Letter Order (April 17, 2002).

In D.T.E. 99-84, at 42, we stated that we would review the Guidelines and the LDCs' SQ plans at the end of their three-year term. Therefore, on its own motion, the Department votes to open an investigation into the quality of service provided by the LDCs. The Department will determine what changes, if any, are necessary to improve SQ. During this

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1 In subsequent Orders, the Department explained that the Guidelines' measures, benchmarks, and penalties also apply to those distribution companies operating under merger-related or acquisition-related rate plans. See, e.g., NSTAR Service Quality, D.T.E. 01-71A at 8-9, 12-18 (2002); MECo Service Quality, D.T.E. 01-71B at 16-26 (2002); D.T.E. 99-84, Letter Order at 5-6 (May 28, 2002); D.T.E 99-84, Letter Order at 3-6 (April 17, 2002).

2 Blackstone Gas Company recently implemented a PBR mechanism and the Guidelines as part of a settlement agreement. Blackstone Gas Company, D.T.E. 04-79, at 3 (2004). Because Fitchburg Gas and Electric Light Company and Western Massachusetts Electric Company are not subject to a PBR or a merger-related rate plan, their reports continue to be for informational purposes only.

investigation, the current SQ Guidelines, as well as the terms of the current SQ plans of all LDCs, will remain in effect until the Department issues a final Order in this proceeding.

II. TOPICS FOR INVESTIGATION

The Department's investigation will include but is not limited to the topics listed below. Commenters are encouraged to address the topics identified by the Department for consideration and to file jointly where feasible.

(1) Offsets: Currently, if an LDC incurs a potential penalty for substandard performance in a penalty provision measure, the Guidelines allow that LDC to offset that penalty if the LDC exceeded its benchmark in other penalty provisions. Please discuss whether the offset provision offers an incentive for an LDC to improve SQ and whether the use of penalty offsets should be continued in the future Guidelines.

(2) Odor Calls: Currently, the benchmark for odor calls is 95 percent, which is an obtainable goal of all gas LDCs. Please discuss whether this benchmark should be strengthened in the future Guidelines and SQ plans and whether multiple calls regarding a single gas leak should be considered as a single odor call response.

(3) Staffing Levels: G.L. c. 164, § 1E (a) requires the Department to establish benchmarks for staff and employee levels of LDCs, and G.L. c. 164, § 1E (b) requires that no company may reduce its staffing levels below what they were on November 1, 1997. However, the statute does not define what staffing levels are, e.g., whether they apply only to union employees or to all employees; whether staffing levels should include employees of non-regulated subsidiaries of the LDCs; and whether the lapse in time (between enactment of the statute and adoption of a performance-based rate plan) negates the November 1, 1997 requirement. Further, the statute does not provide for any penalty for the LDCs that do reduce their staffing levels below 1997 numbers. Please discuss the role of staffing levels in the future Guidelines.

(4) Standardization of SQ Performance Benchmarks: In D.T.E. 99-84, at 3-4, the Department required that LDCs collect any data that may be necessary for the Department to revisit, in the future, the issue of using benchmarks based on nationwide, regionwide, or statewide data. The LDCs sent the Department a report on December 19, 2002 concluding that using the historical performance of each LDC on the respective performance measures remains the best method for establishing performance benchmarks. Summary of Findings Related To Service Quality

Benchmarking Efforts, Navigant Consulting, Inc. (December 19, 2002). Please comment.

(5) SQ Incentives: Please comment as to whether any LDC should be allowed to collect incentives for SQ performance. MECo and Nantucket Electric Company (collectively "MECo"), are allowed to collect incentives back from ratepayers if it exceeds its benchmarks in the penalty provisions. The Department approved incentives as part of MECo's SQ plan because MECo's prior SQ plan, pursuant to Massachusetts Electric Company/Eastern Edison Company, D.T.E. 99-47, at 13, 31-32 (2000), contained penalty/reward structures, and in consideration of the potential benefits to ratepayers. D.T.E. 01-71B at 24 (2001).

(6) Customer Service Guarantees: LDCs are currently required to pay $25.00 to any customer if they fail to meet a scheduled service appointment or fail to notify a customer of a scheduled outage. D.T.E. 99-84, at 38. Please discuss whether the future Guidelines should require (a) payment to customers whether or not the customer requests the credit; and (b) classification as a missed service appointment if the LDC contacts the customer within four hours of the missed appointment and re-schedules the appointment.

(7) Property Damage: The Department established a reporting requirement regarding losses related to damage of company-owned property as it was likely to contribute to assessing company safety performance. D.T.E. 99-84, at 17. Please discuss whether this reporting requirement should be made a penalty measure in the future Guidelines.

(8) Line Loss: In D.T.E. 99-84, at 18, the Department acknowledged that an electric distribution company may experience percentage variations in line losses from year to year unrelated to SQ degradation. Please discuss whether line losses should be made a reporting requirement in the future Guidelines.

(9) Double Poles: G.L. c. 164, § 34B requires electric distribution and telephone companies engaged in the replacement of an existing pole to remove the existing pole from the site within 90 days after the date of installation of the new pole. Please discuss whether it would be appropriate to include timely removal of double poles as an SQ measure.

(10) SAIDI/SAIFI: In D.T.E. 99-84, at 13, the Department accepted as penalty provisions SAIDI and SAIFI. The Department allowed electric LDCs to use their own company-specific definitions for "sustained outages or interruptions," "momentary outages," and " excludable major events," to establish benchmarks for SAIDI and SAIFI performance standards. Id. Please discuss whether it is appropriate to develop new definitions for these subjects.

> Further, in D.T.E. 99-84, at 13, the Department specified that the SAIDI and, possibly SAIFI, benchmarks be based on a five-year average of company-specific data. Please comment on whether it would be appropriate to continue to use the five-year standard.

The Department will accept initial written comments on proposed changes to the Guidelines no later than Tuesday, March 1, 2005; reply comments will be due no later than Tuesday, April 5, 2005. Based on comments received, the Department will establish a further procedural schedule that may provide for technical sessions and/or hearings.

All comments exceeding twenty pages in length must be accompanied by an executive summary of no more than three pages. Comments may not exceed 50 pages in length. Commenters must provide an electronic copy of their comments, by one of two means: (1) e-mail attachment to dte.efiling@state.ma.us; or (2) on a 3.5" disk, IBM-compatible format. The text of the e-mail or the disk label must specify: (1) the docket number of the proceeding, (2) name of the person or company submitting the filing, and (3) a brief descriptive title of the document. The electronic filing should also include the name, title, and phone number of a person to contact in the event of questions about the filing. Text responses should be written in either Word Perfect (naming the document with a ".wpd" suffix), in Microsoft Word (naming the document with a ".doc" suffix) or as an Adobe PDF file (naming the document with a ".pdf" suffix). Data or spreadsheet responses should be compatible with Microsoft Excel. All comments submitted in electronic format will be posted on the Department's web site: http://www.mass.gov/dte. One original and nine copies of all comments should be filed with Mary L. Cottrell, Secretary, Department of Telecommunications and Energy, One South Station, Boston, Massachusetts 02110. A copy of the comments will be available for public inspection at the Department's office during business hours.

III. ORDER

Accordingly, the Department

VOTES: To open an investigation concerning service quality guidelines; and it is

ORDERED: That within five business days of this Order, the Secretary of the Department shall mail a copy of this Order to all participants in D.T.E. 99-84.

By Order of the Department,

/s/
Paul G. Afonso, Chairman

/s/
James Connelly, Commissioner

/s/
W. Robert Keating, Commissioner

/s/
Eugene J. Sullivan, Jr., Commissioner

/s/
Deirdre K. Manning, Commissioner